

Message Text

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PAGE 01 MOSCOW 08665 161742Z

ACTION EB-07

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C O N F I D E N T I A L MOSCOW 8665

E.O. 11652: GDS

TAGS: ETRD, UNCTAD, EPAP, EEWT, UR

SUBJECT: FIRST UNCTAD PREPARATORY CONFERENCE ON COTTON: USSR
FAVORS AN INTERNATIONAL STABILIZATION AGREEMENT IN
PRINCIPAL

REF: MOSCOW TOFAS 268

SUMMARY: MINISTRY OF FOREIGN TRADE SAYS USSR WILL SPEAK
IN FAVOR OF AN INTERNATIONAL AGREEMENT TO STABILIZE COTTON
MARKET. THIS IS PARTLY AND EVEN PROBABLY MAINLY BECAUSE IT
VIEWS CONFERENCE AS A LARGELY POLITICAL ONE DEVOTED TO GENERAL
PRINCIPLES AND GENERAL DISCUSSION. ACHIEVING AGREEMENT ON
MECHANICS AND ESPECIALLY ON FINANCING WOULD NOT, SOVIET
RECOGNIZE, BE EASY, BUT THEY ARE PREPARED TO MAKE AT LEAST
VERBAL EFFORTS BECAUSE STABILIZATION IS IN THE CENTER OF
ATTENTION OF LDCS NOW. SOVIETS ASKED FOR NAMES OF US
DELEGATION (SEE REFTEL). END SUMMARY.

1. AGRICULTURAL ATTACHE AND ECONOFF MET WITH POLEZHAYEV,
CHIEF OF THE INTERNATIONAL ECONOMIC ORGANIZATIONS ADMINISTRATION
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PAGE 02 MOSCOW 08665 161742Z

OF THE MINISTRY OF FOREIGN TRADE FOR AN HOUR ON JUNE 16.
OTHER SOVIETS INCLUDED DINISOV, CHIEF OF THE INTERNATIONAL
COMMODITY AGREEMENTS DEPARTMENT, AND ANTONINA D. KIREYEVA,
A SENIOR RESEARCHER AND ECONOMIST AT MFT'S MARKET RESEARCH
INSTITUTE.

2. SOVIET DELEGATION TO UNCTAD FIRST PREPARATORY

CONFERENCE ON COTTON WILL CONSIST OF VADIM GRIGOR'YEVICH DROZDOV, DEPUTY CHAIRMAN OF EKSPORTLEN (FTO WHICH HANDLES COTTON, ETC.) AND MRS. KIREYEVA.

3. CONTRARY TO OUR EXPECTATIONS, SOVIET POSITION AS EXPOUNDED BY POLEZHAYEV WAS GENERALLY POSITIVE IN PRINCIPLE TOWARD AN INTERNATIONAL AGREEMENT THAT WOULD STABILIZE THE COTTON MARKET AND IT PRICES. AT THE OUTSET POLEZHAYEV SAID THAT USSR'S PLANNED ECONOMY REQUIRED REDUCTIONS IN PRICES OVER TIME AND FOR THAT REASON THE USSR WAS INTERESTED IN STABILIZATION OF THE COTTON MARKET. THUS, FOR ABOVE AND OTHER REASONS, USSR IS READY TO FULLY SUPPORT DISCUSSION OF AN INTERNATIONAL AGREEMENT ON THIS SUBJECT. IMMEDIATELY THERE- AFTER POLEZHAYEV SAID THIS WOULD NOT BE EASY TO DO AND LAUNCHED INTO A REVIEW OF SOME OF THE PROBLEMS INVOLVED: NAMELY, NECESSITY FOR COMMODITY TO BE STANDARDIZED FOR STOCKPILE TO WORK, QUESTION OF WHETHER STOCKS WOULD BE NATIONAL OR INTERNATIONAL, PROBLEMS OF STORAGE, AND -- MOST IMPORTANTLY -- THE MATTER OF FINANCING ANY SCHEME. POLEZHAYEV SAID USSR HAS NO INITIATIVES TO PROPOSE AT THE CONFERENCE. OVERALL VIEW WAS INDICATED TO BE SIMILAR TO THAT EXPRESSED AT ABIDJAN ICAC MEETING IN 1975. ONE AIM OF THE UNCTAD CONFERENCE, HE SAID, IS COLLECTIVE DISCUSSION. THE USSR IS READY TO DISCUSS ANY PROPOSAL EXCEPT FINANCE. AN UNDERLYING THEME WHICH FREQUENTLY SURFACED WAS SOVIET CONCERN TO AVOID EVEN THE APPEARANCE OF WILLINGNESS TO FINANCE ANY PROPOSAL--OUT OF THE EXPECTATION, AND CONCERN, THAT THE LDC'S WOULD LEAP UPON IT. CONFIDENTIAL

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PAGE 03 MOSCOW 08665 161742Z

4. USSR APPARENTLY SEES FORTHCOMING UNCTAD CONFERENCE AS LARGELY A POLITICAL ONE DEVOTED TO GENERAL PRINCIPLES, LDC'S REQUESTS FOR FINANCIAL SUBSIDIES, AND GENERAL DISCUSSIONS WHICH WILL NOT GET DOWN TO REAL WORK ON THE TEXT OF AN AGREEMENT. WE THINK IT IS LARGELY FOR THAT REASON THAT THE USSR IS PREPARED TO SOUND FORTHCOMING ON THE IDEA OF AN INTERNATIONAL AGREEMENT TO STABILIZE COTTON. AS EXPRESSED BY POLEZHAYEV, THE SOVIETS SEE STABILIZATION AS BEING AT THE CENTER OF ATTENTION OF THE LDC'S. ONE SHOULD NOT IGNORE THIS NEW TENDENCY, SO ONE SHOULD NOT STAND ON ONE'S PAST POSITION. (ALTHOUGH SAID AS A DESCRIPTION OF THE USSR'S POSITION, IT WAS PHRASED IN SUCH A WAY THAT IT COULD BE TAKEN AS AN INJUNCTION TO THE US AS WELL.) THEREFORE, THE USSR WILL SUPPORT THIS EFFORT TO FIND SOLUTIONS TO WORLD COTTON PROBLEMS. "THE IDEA OF STABILIZATION IS NOT NEW, WHAT IS NEEDED IS AN INTEGRATED PROGRAM FOR THE COMMODITY." THIS IS A LONG-TERM TREND, AND THE USSR WILL FIND SOME WAY TO TAKE IT INTO ACCOUNT. KIREYEVA INSERTED THAT WE --

THE US AND THE USSR AS THE TWO LARGEST PRODUCERS AND EXPORTERS --
MUST LOOK FOR MEASURES TO SAVE THE MARKET FOR COTTON
AGAINST SYNTHETICS, AND SHE PUT FORWARD THE OBJECTIVE
OF IMPROVING PRODUCTION AND LOWERING COSTS AS THE WAY TO
DO IT, BUT HER VIEWS WERE NOT FULLY SUPPORTED BY POLEZHAYEV.
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